FOLEY

FOLEY & LARDNER LLP

ATTORNEYS AT LAW

321 NORTH CLARK STREET, SUITE 2800
CHICAGO, IL 60610-4764
312.832.4500 TEL
312.832.4700 FAX
www.foley.com

WRITER'S DIRECT LINE
312.832.4375
egreen@foley.com EMAIL

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July 10, 2016

VIA EMAIL & FEDERAL EXPRESS

Mr. Michael Constantino
Supervisor, Project Review Section
Illinois Health Facilities & Services Review Bd.
525 West Jefferson Street
Springfield, Illinois 62761

Re: Silver Cross Ambulatory Surgery Center, Project No. 16-021

Dear Mr. Constantino:

As you know, we are counsel to Silver Cross Ambulatory Surgery Center LLC ("SCASC") and Silver Cross Hospital and Medical Centers ("Silver Cross Hospital," and collectively with SCASC, the "Applicants"). We are in receipt of your letter dated July 5, 2016, seeking additional information (the "Information Request") regarding the Certificate of Need Application (the "Application") filed by the Applicants to establish a multi-specialty ambulatory surgical treatment center (the "Surgery Center") on the Silver Cross Hospital campus, near the southwest corner of Route 6 and Silver Cross Boulevard in New Lenox, Illinois (the "Project") in order to reduce the high utilization and projected demand for outpatient surgical services at Silver Cross Hospital.

Please consider this letter as the Applicants' response to the Information Request.

Question Number One: Are there going to be any procedure rooms in the ASTC?

Answer to Question Number One: No. At this time, no procedure rooms are planned for the Surgery Center. Each of the planned operating rooms in the Surgery Center will be fully functional and will be capable of supporting all of the surgical specialties set forth in the Application.

Question Number Two: What is the expected payor mix for the ASTC.

Answer to Question Number Two: Because all of the surgeries at the Surgery Center are projected to come from Silver Cross Hospital, the Applicants are anticipating that the payor mix at the Surgery Center will mirror the payor mix for Silver Cross Hospital (and specifically, the payor mix for patients undergoing outpatient surgery at Silver Cross Hospital). The payor mix for patients undergoing outpatient surgery at Silver Cross Hospital is as follows:

Commercial: 67%; Medicare: 25%; Medicaid: 7%; and Self-Pay: 1%. Thus, the projected payor mix for the Surgery Center is as follows: Commercial: 67%; Medicare: 25%; Medicaid: 7%; and Self-Pay: 1%.

Question Number Three: We have two completion dates – March 31, 2018 – see narrative page 5, and June 30, 2018, which one should we use.

Answer to Question Number Three: March 31, 2018.

Question Number Four: Please address the mal-distribution requirement [77 IAC 1110.1540(h)(2)].

Answer to Question Number Four: The Applicants are projecting that all of the cases for the Surgery Center will come directly from Silver Cross Hospital. Meaning, utilization at the Surgery Center will come entirely from cases that would have otherwise been performed at Silver Cross Hospital. To that end, the Applicants only asked surgeons currently on the active Medical Staff at Silver Cross Hospital to submit attestations and asked those same surgeons to limit their attestations to patients located in Silver Cross Hospital's primary service area, defined by the following zip codes: 60403, 60421, 60423, 60432, 60433, 60435, 60436, 60439, 60441, 60442, 60448, 60451, 60467, and 60491. Thus, unlike many surgery center applications that support their projections by pulling surgical cases from multiple facilities, the Applicants have literally only listed cases from their own physicians at their own hospital on their own campus. In other words, unlike many surgery center applications that assert that there will no impact on other facilities, the Applicants firmly believe that no other facility will be impacted by the Surgery Center because all of the projected cases will come from their own physicians at their own hospital on their own campus. Indeed, the entire rationale for establishing the Surgery Center was to relieve the extremely high utilization rate of the operating rooms at Silver Cross Hospital. In 2014, the eleven operating rooms at Silver Cross Hospital had a utilization rate of 119.3%. In 2015, the utilization rate increased to 129.7%. 2016 is even busier, with the eleven operating rooms on pace to hit a utilization rate of 138.5%.

Question Number Five: Please provide a narrative of the reasons for the growth in the number of cases and the number of hours per operating room for Silver Cross Hospital.

Answer to Question Number Five: There is no simple answer to this question because a number of a factors have led to the tremendous growth in surgeries at Silver Cross Hospital, including, but not limited to, the following: (a) modest population growth in Silver Cross Hospital's service area (approximately 0.4% year over year); (b) expanded normal hours of operation in the operating rooms (6:30 am to 7:00 pm on weekdays and 7:30 am to 12:30 pm on Saturday and Sunday, and even had to expand hours beyond these times on high demand days); (c) extremely high patient satisfaction (89th percentile in the Press Ganey database for outpatient surgery); (d) word of mouth from patients telling other patients about their positive experiences

at Silver Cross Hospital; (e) patients instructing their surgeons that they would prefer to have their surgeries performed at Silver Cross Hospital; (f) largest robotic surgery program in the Chicago metropolitan area and second largest robotic surgery program in the Midwest, with over 1,000 robotic surgery cases per year at Silver Cross Hospital and outstanding outcomes; (g) existing private physicians and medical practices on the Medical Staff at Silver Cross Hospital have recruited new surgeons to join their practices (many coming from out-of-state and/or recently completing fellowships); and (h) although this last point is harder to prove out, Silver Cross Hospital is now located directly off I-355, allowing patients easier access to all of the services at Silver Cross Hospital, including surgical services.

Question Number Six: All procedure times exceed the state average case time, in some instances by 80%, can you please provide an explanation of how surgery time, prep and clean up time was calculated.

Answer to Question Number Six: Average outpatient surgery time at Silver Cross Hospital is currently 1.6 hours. Silver Cross Hospital starts the "shot clock" when a patient is wheeled into the operating room and turns off the shot clock when the operating room is ready and clean for the next case. The historical clean-up time for non-robotic surgical cases at Silver Cross Hospital is 20 minutes per case and the historical clean up time for robotic surgical cases at Silver Cross Hospital is 35 minutes per case. It also bears noting that a large percentage of the cases slated to be performed at the Surgery Center tend to take longer to perform. So, for example, Silver Cross Hospital has physician attestations for 483 orthopedic cases (or 22% of the total projected cases at the Surgery Center), which take 1.9 hours to complete, and physician attestations for 815 general surgery cases (or 38% of the total projected cases at the Surgery Center), which take 1.8 hours to complete.

Question Number Seven: How does Silver Cross define self-pay?

Answer to Question Number Seven: Any patient that lacks commercial healthcare insurance, does not qualify for Medicare or any of the Medicare managed care plans, and/or does not qualify for Medicaid or any of the Medicaid managed care plans, is considered a self-pay patient at Silver Cross Hospital.

Question Number Eight: Please provide an explanation of why the referral letters did not contain the surgeries performed at other facilities in this proposed 45 minute GSA.

Answer to Question Number Eight: The Applicants are projecting that all of the cases for the Surgery Center will come directly from Silver Cross Hospital. Meaning, utilization at the Surgery Center will come entirely from cases that would have otherwise been performed at Silver Cross Hospital. To that end, the Applicants only asked surgeons currently on the active Medical Staff at Silver Cross Hospital to submit attestations and asked those same surgeons to limit their attestations to patients located in Silver Cross Hospital's primary service area, defined

by the following zip codes: 60403, 60421, 60423, 60432, 60433, 60435, 60436, 60439, 60441, 60442, 60448, 60451, 60467, and 60491. Thus, unlike many surgery center applications that support their projections by pulling surgical cases from multiple facilities, the Applicants have literally only listed cases from their own physicians at their own hospital on their own campus. The rationale for this was simple. The Applicants believe that most patients do not want to drive outside their community for surgical procedures.

Please feel free to contact me if you have any additional questions.

Sincerely,

Edward J. Green

EJG:sxc
cc: Ms. Ruth Colby, Senior Vice President and Chief Strategy Officer, Silver Cross Hospital